

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the on Tuesday, 4 December 2007 at 6:00 pm in the Jeffery Room, at the Guildhall.

D. Kennedy
Chief Executive

AGENDA

1. APOLOGIES

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

- 5. EXTERNAL AUDIT PROGRESS UPDATE D. Brett
KPMG
Report of External Auditor (copy herewith)

- 6. INTERNAL AUDIT PROGRESS UPDATE C Dickens
PWC
Report of Internal Auditor (copy herewith)

- (A) INTERNAL AUDIT REPORTING PROTOCOL C. Dickens
PWC
Report of Internal Auditor (copy herewith)

- (B) AUDIT COMMITTEE TRAINING C. Dickens
PWC
Report if Internal Auditor (copy herewith)

- 7. FINANCE UPDATE

- (A) RISK MANAGEMENT POLICY I. Procter

Report of Director of Finance and Asset Management (copy x 8757
herewith)

.... (B) FINANCIAL REGULATIONS I. Procter
Report of Director of Finance and Asset Management (copy x 8757
herewith)

.... 8. INTERNAL AUDIT VOID MANAGEMENT REPORT I. Procter
Report of Director of Finance and Asset Management (copy x 8757
herewith)

9. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE
REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE
IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES
OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF
THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH
ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE
PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title

EXTERNAL AUDIT PROGRESS REPORT

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	4 December 2007
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To present to the committee the external auditors progress report on the annual audit of the accounts for 2006/07 and preparations for the 2007/08 audit.

2. Recommendations

2.1 That the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 The audit of the accounts is a statutory requirement. This report updates the committee on the areas still to be finalised for 2006/07 and preparation for the 2007/08 process.

3.2 Issues

Audit of Accounts to 31 March 2007

3.2.1 The audit has been substantially completed. Items still to be finalised are outlined in the following paragraphs.

3.2.2 Use of Resources:

We have completed our fieldwork and assessment of the Council. The assessment has been submitted to the Audit Commission (the "Commission") for their consideration. The Commission will advise the Council on 10 December of the overall score. The Council has until 21 December to call for a review of the score if it so wishes. Final scores will be confirmed by the Commission in January.

3.2.3 Annual External Audit Report (AEAR):

We will issue our Annual External Audit Report summarising our work for 2006/7 in December 2007.

3.2.4 Interim Audit Opinion:

We issued our Interim unqualified audit opinion on 18 October 2007.

3.2.5 VFM conclusion, Final Audit opinion and certificate.

We agreed that we would not issue our VFM opinion until the Use of Resources score was finalised. If the Council accepts the indicated score in December, we will issue our VFM conclusion then, together with our Final Audit opinion and our Audit certificate. Otherwise we shall issue them in January when the Use of Resources is finalised. The Audit certificate confirms that there are no matters relating to the audit of 2006/7 that require any further action by the auditor.

3.2.6 Annual Audit and Inspection Letter

The production of this letter is the responsibility of the Relationship Manager – Mary Perry – and will contain details of the Use of Resources assessment and the Direction of Travel report produced by the Audit Commission. The report will be issued by 31 March 2008.

3.2.7 Grant claims

The majority of the Council's grant claims have been certified and we expect to meet the relevant government department's deadlines for those, which are yet to be completed.

Audit of accounts to 31 March 2008

3.2.8 The 2007/8 Audit and Inspection Plan was approved by Cabinet on 11 June 2007. We have begun our preliminary assessment process to ensure that there are no circumstances, which would warrant our amending our planned work.

3.3 Choices (Options)

3.3.1 None in relation to this report.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None in relation to this report.

4.2 Resources and Risk

4.2.1 None

4.3 Legal

4.3.1 None

4.4 Equality

4.4.1 None

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 Statement of Accounts

5.2 Draft Opinion

**Report Author: David Brett
Audit Manager KPMG**

Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	4 December 2007
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan and highlighting key issues identified in internal audit work to date.

2. Recommendations

2.1 Receive the report

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting. The report will give an update on reports issued and recommendations made as well as highlighting any issues that are considered appropriate to bring to the attention of the Committee

3.1.2 Plan Outturn

We have undertaken work in accordance with the 2007/08 Internal Audit Plan which was presented to and approved by the Audit Committee at their meeting in February 2007.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now completed our fieldwork on a number of assignments and have commenced a number of further reviews. Reports have been issued in both draft and final form and details are provided in section 2. The majority of our fieldwork is planned to be delivered in quarters 3 and 4 including most of the work on the core financial systems.

3.1.3 Reporting and activity progress

Final reports issued

07/08 NBC 02 Treasury management – This review focused upon the authority's cash and investment management activities. It was noted that there had been a change in responsibilities for treasury management which has meant that overall there has not been any significant improvement from our prior year review and a **Moderate level of assurance** has again been given.

07/08 NBC 04 Voluntary Grants – The purpose of this review was to consider and evaluate the controls over grant funding awarded to voluntary bodies. We have given **Limited assurance** as there are some weaknesses in the design and operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives.

07/08 NBC 05 Voids management – This review forms part of the operational systems audit work and was undertaken to look at controls for identifying and inspecting void properties so that they are promptly turned around in accordance with performance targets. A **Moderate level of assurance** was given.

07/08 NBC 06 Cashiers – Our review focussed primarily upon the 3 main cash offices and systems in place to ensure that all cash collected was receipted and banked intact. We have also looked at the impact on Cash Office use following the introduction of Paypoint. We have given **Moderate assurance** as there are some weaknesses in the design and operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives.

Draft reports

We have issued the following reports in draft format and are currently awaiting management responses:-

07/08 NBC 07 General ledger – This review focused upon access and amendments to the general ledger and that all transactions are accurately recorded in a timely manner. We will issue our final report on receipt of management responses.

07/08 NBC 08 Debtors – This review focused upon ensuring that invoices are raised in a timely manner, cash received is correctly allocated and outstanding debts are monitored and recovered and the ledger updated. We will issue our final report on receipt of management responses.

Fieldwork completed

Work has been completed for a number of internal audit reviews with draft reports about to be issued.

Other work performed

Work in progress – Work has also commenced in a number of areas including: Governance, ICT and Legal Services, Payroll, Budgetary control, Housing benefits, Fixed assets and savings and efficiency programme.

Our overall assessment of systems where work has been completed is summarised in Appendix 2

3.1.4 Summary of Key Risks

Overview

Our reports to date include a total of 51 recommendations of which 28 relate to this reporting period. A breakdown of these can be found in Appendix Two, which summarises the risk ratings associated with each finding and recommendation. No critical risks have been identified to date that need to be brought to the immediate attention of the Audit Committee.

In the current reporting period, we have identified two instances where a high risk rating has been given and whilst these issues may have a high impact for the system, function or process under review, they do not have a significant impact on the achievement of the overall objectives of the Authority. The key issues were noted during the Voluntary Grants review and recommendations were made to address them;

- There is insufficient evidence retained to support decisions made over grant allocations. Testing identified that signed application forms were not on file for 8 out of 10 samples tested where funding was awarded and for 2 out of 10 samples where funding was declined.
- There were 2 cases out of the 10 tested where the funding agreed with the organisations and actually paid to them does not agree to the amount the Community Enabling Fund Advisory Panel decided to award. The amount paid to one organisation was £2,481 more than approved by the panel and a second organisation was paid £7,267 less than the panel awarded.

3.1.5 Other issues

Internal audit reporting protocol

We have agreed a reporting protocol with management and this is submitted separately to the Audit Committee.

TeamCentral – recommendation tracking

We have now managed to get all of 2006/07 internal audit recommendations onto TeamCentral. We are now working with the Council's IT department to set access levels and communication details in order that we can use the system fully. Current year data is being recorded onto the system and a user guide is being produced for Council staff that will need to use the system. A screen print showing the type of detail recorded on the system is attached at Appendix 3.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported. In this instance, there are no reported significant control issues.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 - Progress against approved plan
- Appendix 2 – Summary of recommendations made

- Appendix 3 – TeamCentral screen print
- 5.2 Individual internal audit reports are available if required.

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Internal audit progress report December 200

Planned activity	Planned days	Actual days	
1. Core Financial Systems – Fundamental assurance			
▪ General Ledger	10	9	
▪ Debtors	10	9	
▪ Creditor Payments	12	10	
▪ Payroll	10	9	
▪ Budgetary Control	15	1	
▪ Council Tax	10	10	
▪ National Non Domestic Rates (NNDR)	3	3	
▪ Bank Reconciliations	8	1	
▪ Cashiers	7	7	
▪ Treasury Management	5	5	
▪ Housing Benefits	10	1	
▪ Fixed Assets	5	1	

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
▪ Savings & Efficiency Programme	15	5	Fieldwork commenced
▪ Legal Services	15	0	To be delivered in Q4
▪ Human Resources	20	0	To be delivered in Q4
▪ Health & Safety	10	0	To be delivered in Q4
▪ ICT Audits	30	2	To be delivered in Q3/Q4
▪ BCP Arrangements	10	0	To be delivered in Q4
▪ Westbridge DLO	15	0	To be delivered in Q4
▪ Voluntary Grants	10	10	Draft Report
▪ Contract Audit	20	0	To be delivered in Q4
▪ Void Management	10	10	Draft report

Planned activity	Planned days	Actual days	Status
3. Strategic – performance assurance <ul style="list-style-type: none"> ▪ Risk Management ▪ Governance & Management Information ▪ Performance management & Improvement Delivery ▪ Planning Applications 	<p style="text-align: center;">20</p> <p style="text-align: center;">15</p> <p style="text-align: center;">20</p> <p style="text-align: center;">10</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">5</p> <p style="text-align: center;">0</p>	<p style="text-align: center;">Ongoing</p> <p style="text-align: center;">Ongoing</p> <p style="text-align: center;">Deferred Q4</p> <p style="text-align: center;">To be delivered in Q3/Q4</p>

Planned activity	Planned days	Actual days	Status
4. Other			
<ul style="list-style-type: none"> ▪ Specific follow up reviews: <ul style="list-style-type: none"> ➤ Communication ➤ Citizen Engagement ➤ Partnership ▪ General follow up ▪ NFI ▪ Audit Management 	15	0	To be delivered in Q4
	8	3	Ongoing
	12	6	Ongoing
	20	15	Ongoing
Total	380	125	

Amendments to plan	Agreed days	Actual days	Status
<ul style="list-style-type: none"> ▪ Work on overtime & expenses 	2	2	Completed
Total	2	2	





Appendix Two

Assignment	Critical	High	Medium	Low	Total	Overall assurance rating
07/08 NBC 01 NNDR	0	0	1	4	5	High
07/08 NBC 02 Treasury Management	0	0	2	5	7	Moderate
07/08 NBC 03 Council Tax	0	1	6	5	12	Limited
07/08 NBC 04 Voluntary Grants*	0	2	7	3	12*	Limited*
07/08 NBC 05 Void Management	0	0	3	3	6	Moderate
07/08 NBC 06 Cashiers*	0	0	2	7	9*	Moderate*
Total	0	3	21	27	51	

(denotes that report has been issued in draft and as such findings and assurance rating yet to be finalised.)*

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the Authority's objectives in relation to: <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Overall assurance rating:

Level of assurance	Description
High	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Moderate	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than high or they would be unlikely to occur.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

Appendix Three

Microsoft Excel - Exception Tracking1.xls

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Reply with Changes... End Review...

G2

	A	B	C	D	E	F	G	H	J	K	L	M
	Project Code	Project Name	Exception	Level(s)	Type	Owner	Do not use	Action status	Est. Impl. Date	Last Revised Date	Actual Implementation Date	
1												
2			Service Level Agreement with Valuation Office	Management Report	Operating effectiveness	Jan Tyrer		Closed - Management Accepts	02/10/2007			
3	07_08 NBC 01	NNDR										
4			Authorisation of refunds	Management Report	Operating effectiveness	Jan Tyrer		Closed - Verified				
5	07_08 NBC 01	NNDR										
6	06_07 Post Opening Review	Post Opening Review	Post not date stamped	Management Report	Control design	Sue Tew		Pending	30/06/2007			
7												
8	06_07 Post Opening Review	Post Opening Review	cheques received	Management Report	Control design	Sue Tew		Pending	30/06/2007			
9												
10	06_07 Post Opening Review	Post Opening Review	written procedures	Management Report	Control design	Sue Tew		Pending	30/09/2007			
11												
12	06_07 Post Opening Review	Post Opening Review	forwarded post	Management Report	Control design	Sue Tew		Pending	31/08/2007			
13												
14	06_07 Post Opening Review	Post Opening Review	Guildhall - cheques received	Management Report	Control design	Sue Tew		Pending	30/06/2007			
15												

Sheet1 Sheet2 Sheet3

Ready

Start Audit... Chris... C:\D... Brief... audit... PU22... Sept... Appe... Exce... 18:07

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Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit reporting protocol
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	4 December 2007
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To implement a formal reporting protocol for internal audit

2. Recommendations

2.1 Approve the protocol

3. Issues and Choices

3.1 Report Background

3.1.1 In order to monitor internal audit performance a formal reporting protocol has been agreed with management. This sets out timescales around the audit process including the issuing of audit reports in both draft and final form.

3.2 Issues

3.2.1 N/a

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 None

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Head of Finance

4.6 Other Implications

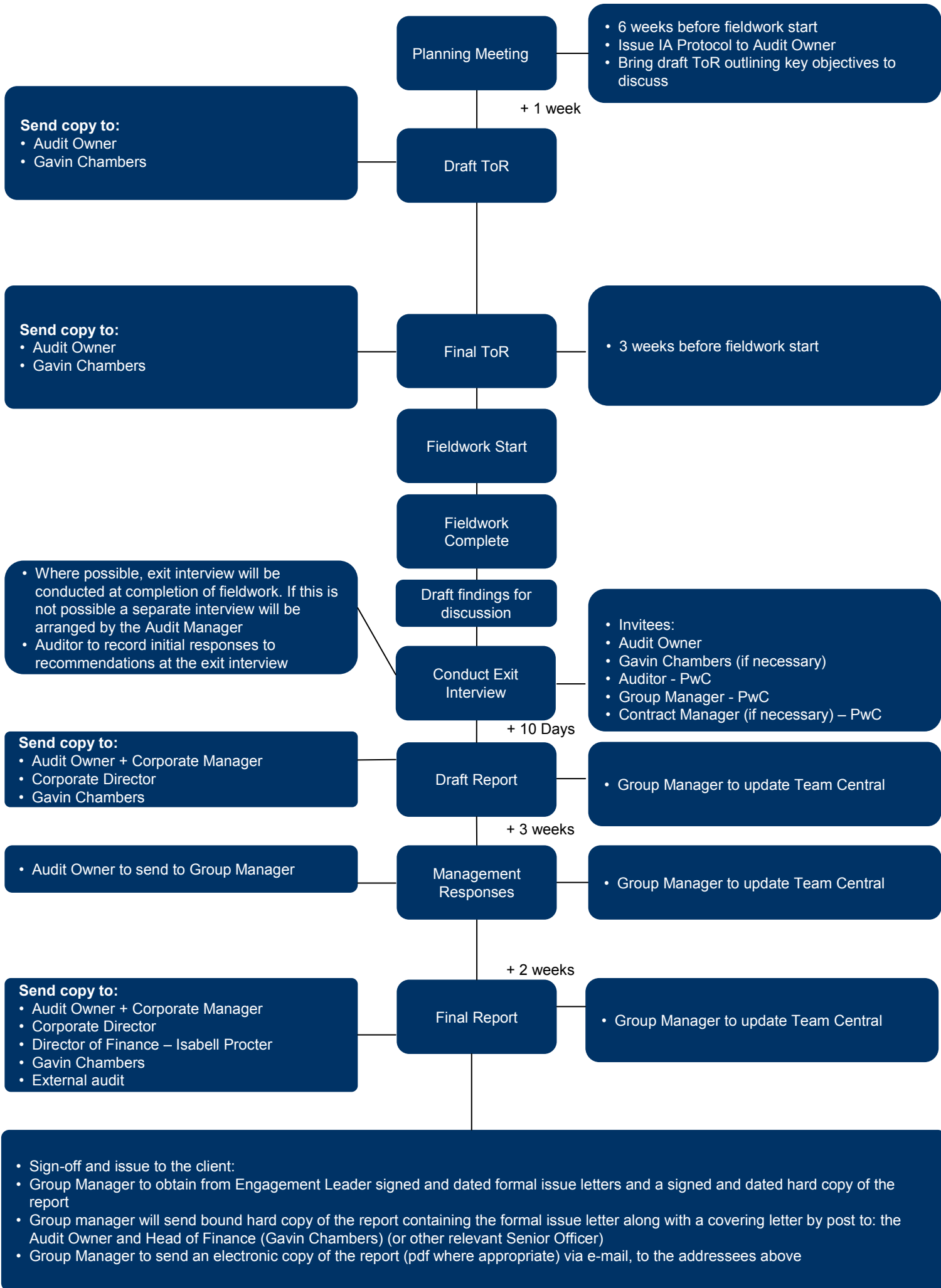
4.6.1 N/a

5. Background Papers

5.1 N/a

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07/08 NBC Internal Audit process for key milestones



Appendices



NORTHAMPTON
BOROUGH COUNCIL

Item No.

AUDIT COMMITTEE REPORT

Report Title

Audit committee training

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	4 December 2007
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To propose an approach for the delivery of training to the Audit Committee

2. Recommendations

2.1 Consider the proposal and approve the approach and timescales

3. Issues and Choices

3.1 Report Background

At a recent contract meeting, the Council's Finance Director and the Head of Finance expressed the view that the new Audit Committee would benefit from the provision of training particularly to help members understand their roles and responsibilities and also to understand what they should not be doing. This is part of a wider initiative to improve the effectiveness of the committee structure within the Council

The intention, therefore, is to provide appropriately tailored training to the Committee to address these and wider issues. The training is to be provided in an evening, possibly linked to a meeting of the Committee and should take no more than 2-3 hours.

3.1.1 Proposed approach

Initial assessment

In order to encourage the Committee members to engage in the process, it is proposed to conduct a self-assessment checklist designed to measure the effectiveness of the Committee. This would be done by utilising the checklist taken from the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities." (See appendix).

The checklist will be provided to all members of the Committee in both hard copy and electronic format and the results will help to identify awareness of the roles and responsibilities of the Committee and also to identify gaps in knowledge and awareness.

Detailed training

Following an evaluation of the completed checklists, the exact training approach will be tailored to meet specific identified needs. In delivering the training, we will take account of the CIPFA guidance and also Treasury guidance (Audit Committee Handbook – March 2007) as well as best practice guidance from within PwC.

We will use a PowerPoint presentation supported by handouts and will consider the following key areas:

- The role of the audit committee
- Membership, independence, objectivity and understanding
- Skills
- Scope of work
- Communication
- The role of the chair
- Committee support

Timing and cost

If approved by the Finance Director, we propose to issue the checklist at the next Audit Committee meeting on 4th December with a requested response date of 31st December. The date for the training session would then be agreed as soon as possible in the New Year.

The effective performance of the audit committee is an integral part of a council's governance framework and therefore we would propose to utilise some of the audit days allocated to the reviews of governance and risk management included in the internal audit plan for 2007/08, in this way there will be no additional cost to the Council.

3.2 Issues

3.2.1 N/a

3.3 Choices (Options)

3.3.1 The committee could consider alternative approaches for the delivery of training.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The cost of training will be provided within the overall internal audit budget by reassigning some of the allocated days from the audit of governance arrangements within the Council.

4.2 Resources and Risk

4.2.1 None

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendix 1 – Self assessment checklist

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Appendix 1 Self assessment checklist – measuring the effectiveness of the audit committee

This checklist has been taken directly from the CIPFA publication, Audit committees – practical guidance for local authorities.

ISSUE	YES	NO	N/A	Comment
Terms of Reference				
Have the committee's terms of reference been approved by full council?				
Do the terms of reference follow the CIPFA model?				
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme?				
Is the work of internal audit reviewed regularly?				
Are summaries of quality questionnaires from managers reviewed?				
Is the annual report, from the head of audit, presented to the committee?				

ISSUE	YES	NO	N/A	Comment
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?				
Does the committee input into the external audit programme?				
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?				
Does the committee take a role in overseeing: <ul style="list-style-type: none"> • risk management strategies • internal control statements • anti-fraud arrangements • whistle blowing strategies 				
Membership				
Has the membership of the committee been formally agreed and a quorum set?				
Is the chair free of executive or scrutiny functions?				
Are members sufficiently independent of other key committees of the council?				
Have all members' skills and experiences been assessed and training given for identified gaps?				

ISSUE	YES	NO	N/A	Comment
Meetings				
Does the committee meet regularly?				
Are separate, private meetings held with the external auditor and the internal auditor?				
Are meetings free and open without political influences being displayed?				
Are decisions reached promptly?				
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?				
Does the committee have the benefit of attendance of appropriate officers at its meetings?				
Training				
Is induction training provided to members?				
Is more advanced training available as required?				
Administration				
Does the authority's s151 officer or deputy attend all meetings?				
Are the key officers available to support the committee?				

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Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	RISK MANAGEMENT
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	4 December 2007
Policy Document:	Yes
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

- 1.1 To advise the Audit Committee of improvements in the Council's risk management processes.
- 1.2 To present the risk management policy and revised strategy for acceptance and approval.

2. Recommendations

That the Audit Committee note the report and the Council's Risk Management Policy and revised Strategy

3. Issues and Choices

3.1 Report Background

- 3.1.1 A risk management review is carried out annually. This year's review, carried out in conjunction with the Chief Executive, Directors and Corporate Managers, identified a number of enhancements. These have been incorporated into the risk management strategy and are being implemented.
- 3.1.2 The Risk Management Strategy (Appendix 1) has been revised to reflect the enhancements along with other changes made since the Strategy was last approved in October 2005.

3.1.3 The Risk Management Policy (Appendix 2) is still considered fit for purpose.

3.1.4 Audit Committee is asked to comment on the risk management policy and strategy.

3.2 Issues

3.2.1 The main changes to the Strategy are outlined below:

- Management Board is given responsibility for reviewing and updating the Strategic Risk Register
- The introduction of Risk Registers at Chief Officer level
- Chief Officers are given specific responsibility for reviewing their own and their subordinate's registers. This will help forge links between the three tiers of risk register – Strategic, Chief Officer and Corporate Manager.
- The nomination of specific Managers/Team Leaders to act as Risk Management Coordinators for their respective departments. (Risk Management Coordinators have been in place for several months.)

3.3 Choices (Options)

3.3.1 None in relation to this report.

4. Implications (including financial implications)

4.1 Policy

The changes outlined in this report, when implemented, will improve the Council's effectiveness

4.2 Resources and Risk

4.2.1 The revised strategy does not require any additional financing. It will involve additional input at a senior level but this should be rewarded with increase in efficiency. Failure to implement and enforce an efficient risk management system would leave the Council exposed to financial pressure from potential liability claims, and staff and the community exposed to unnecessary risk.

4.3 Legal

4.3.1 The Council has a responsibility to manage risk effectively. Apart from the issues identified in 4.2 above failure to do so could, in the extreme, expose individual Members, managers and staff to personal prosecution.

4.4 Equality

4.4.1 Where equality and diversity issues represent a risk to objectives these will be identified and appropriate action taken

4.5 Consultees (Internal and External)

4.5.1 Mangers and Management Board

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 Appendix 1 – Risk Management Strategy

5.2 Appendix 2 – Risk management policy

**Report Author: Isabell Procter
Director of Finance**

Northampton Borough Council

Risk Management Strategy

1. Introduction

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve corporate and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

The OGC document "Guidelines on Managing Risk" defines risk as:

"...uncertainty of outcome (whether positive opportunity or negative threat). The task of risk management is to ensure the organisation makes cost-effective use of a risk process that has a series of well-defined steps to support better decision making through good understanding of risks and their likely impact..."

The key elements that need to be in place if risk management is to be effective, and innovation encouraged, include:

- *Senior management who support, own and lead on risk management*
- *Risk management policies and the benefits of effective management are clearly communicated to all staff*
- *Risk management framework, approved at senior level, within which risk is to be Identified and managed*
- *An organisational culture which supports well thought through risk taking and innovation*
- *Management of risk is fully embedded in management processes and consistently applied*
- *Management of risk is closely linked to achievement of objectives*
- *Risks associated with working with other organisations are assessed and managed*
- *Risks are actively monitored and regularly reviewed."*

This strategy defines the processes and procedures Northampton Borough Council will follow to achieve these elements and embed effective risk management throughout the authority. This is also shown graphically at Appendix A.

2. Objectives

The key objectives of this strategy are:

- To facilitate the achievement of Council objectives whilst taking proper account of the risks involved.
- To produce commitment to risk management throughout the Council.
- To ensure that all significant risks facing the Council are properly managed on a corporate basis.
- To reduce cost and disruption to the Council.
- To ensure best use of the Council's limited resources.
- To provide evidence of a first class risk management process within the Council.

3. The Risk Management Structure

The Council will maintain Risk Registers to:

- Identify significant risks including their likely consequences
- Allocate responsibility for managing each risk to a specific individual
- Assess the likelihood and impact of each risk to provide a ranking to be used as a method of prioritisation
- Identify existing measures relied upon to control the risks, together with an assessment of their effectiveness
- Instigate any additional mitigating actions to be taken and allocate individual responsibility for these actions.
- Monitor progress in reducing the level of risk

Risk Registers will be maintained at the following levels:

- **Strategic** – to include strategic risks that would have a significant impact on the Council as a whole, or on a particular area of operation considered critical to the Council.
- **Chief Officers** – the Chief Executive and Directors will each maintain their own registers to manage high level risks appropriate to their areas of responsibility
- **Corporate Managers** – registers will be maintained at departmental level, to include strategic and operational risks, which may have a significant impact on services, or on a particular area of operation considered critical to services.
- **Project Level** – the inception and approval procedure for projects will include a formal assessment of the risks involved. Risk registers will be maintained for all major projects to take account of risks that may have a significant impact on the project outcomes.

All risks will be considered in relation to their possible effect on the achievement of objectives. The Strategic Register in particular will link risks to the Council's Corporate objectives as set out in the Corporate Plan.

All risk registers will be maintained on the corporate risk management software.

Each Corporate Manager will nominate a Manager or Team Leader to act as Risk Management Coordinator whose main duties are to act as liaison point for all risk management issues and ensure that their risk register is reviewed and updated by the management team on a monthly basis.

4. Management Responsibilities

4a Audit Committee

The Audit Committee has specific responsibility for ensuring that the Council operates effective risk management systems.

Risk Management will be a standing item on the agenda to enable the Director of Finance to report to members general progress in embedding risk management together with any specific issue(s) considered relevant.

The Chair of the Audit Committee, together with the Director of Finance, will be Risk Management Champions, and take overall responsibility for embedding risk management throughout the Council.

The Audit Committee will report to full Council at least annually on the effectiveness of the Council's risk management systems.

4b. Management Board

Management Board is responsible for:

- Reviewing and updating the Strategic Risk Register and ensuring that mitigating actions are instigated and completed.
- The effective application of risk management processes and principles to the Council's business systems

4c. Chief Executive and Directors

The Chief Executive and Directors are responsible for:

- Reviewing their own risk registers and those of their subordinates to ensure they are maintained in a timely manner and properly address all relevant significant risks (as far as foreseeable).
- Reporting to Management Board those risks which may merit inclusion on the Strategic Risk Register identified from reviews of existing registers and consideration of future developments
- Instigating and managing actions to mitigate risks

- The effective application of the risk management processes and principles to their areas of responsibility

4d. Corporate Managers

Corporate Managers responsibilities include:

- Reviewing their own risk registers with their management team to ensure they are maintained in a timely manner and properly address all relevant significant risks (as far as foreseeable).
- Instigating and managing actions to mitigate risks
- The effective application of risk management processes and principles to their areas of responsibility

4e. Project Managers

It is the responsibility of each Project Manager to ensure that:

- risk registers are properly reviewed and maintained at project team meetings
- progress in controlling risk is reported to the relevant Project Board and sponsors.

4f. Risk Management Group

The Risk Management Group will:

- Report to Management Board on a quarterly basis, on the effectiveness of risk management systems
- Establish sub groups to address specific risks
- Arrange risk management training for managers and Members.
- Promote risk management throughout the council

The Group will be chaired by the Head of Finance and consist of:

- Risk Manager
- A cross section of representatives from key service areas, approved by Corporate Managers

5. Monitoring and Reporting Risk

It is each manager's responsibility to manage the risk(s) that have been allocated to them, and to update the relevant risk register(s).

The content of risk registers will be reviewed shared and discussed with relevant team members, to encourage ownership.

All registers will be monitored, reviewed and updated to consider:

- (1) Any new risks to be added or expired risks to be removed.
- (2) Reassessment of current risk rankings.
- (3) Review of actions completed and outstanding
- (4) Any additional mitigating actions required

6. Risk Management Training and Support

The Risk Management Group will be responsible for ensuring all staff and Members receive risk management training as appropriate.

Risk management workshops will be held to produce and review each Risk Register. These will build on previous training and give staff sufficient expertise to produce and maintain their own registers. Support will be available from the Risk Manager, and externally, as necessary.

Risk Management involves a number of different disciplines including business continuity, property security, health and safety, crime prevention and fire prevention. Many of these services are available from internal resources such as Corporate Health and Safety.

This strategy seeks to complement and utilise existing resources not to replace them. Regular consultation, advice and support is available from appropriate central resources.

Where considered beneficial and cost effective, possible assistance from external organisations such as brokers and insurers will be investigated.

All members will receive Risk Management training as part of the Member Development Programme.

7. Embedding Risk Management Within the Council's Management Processes

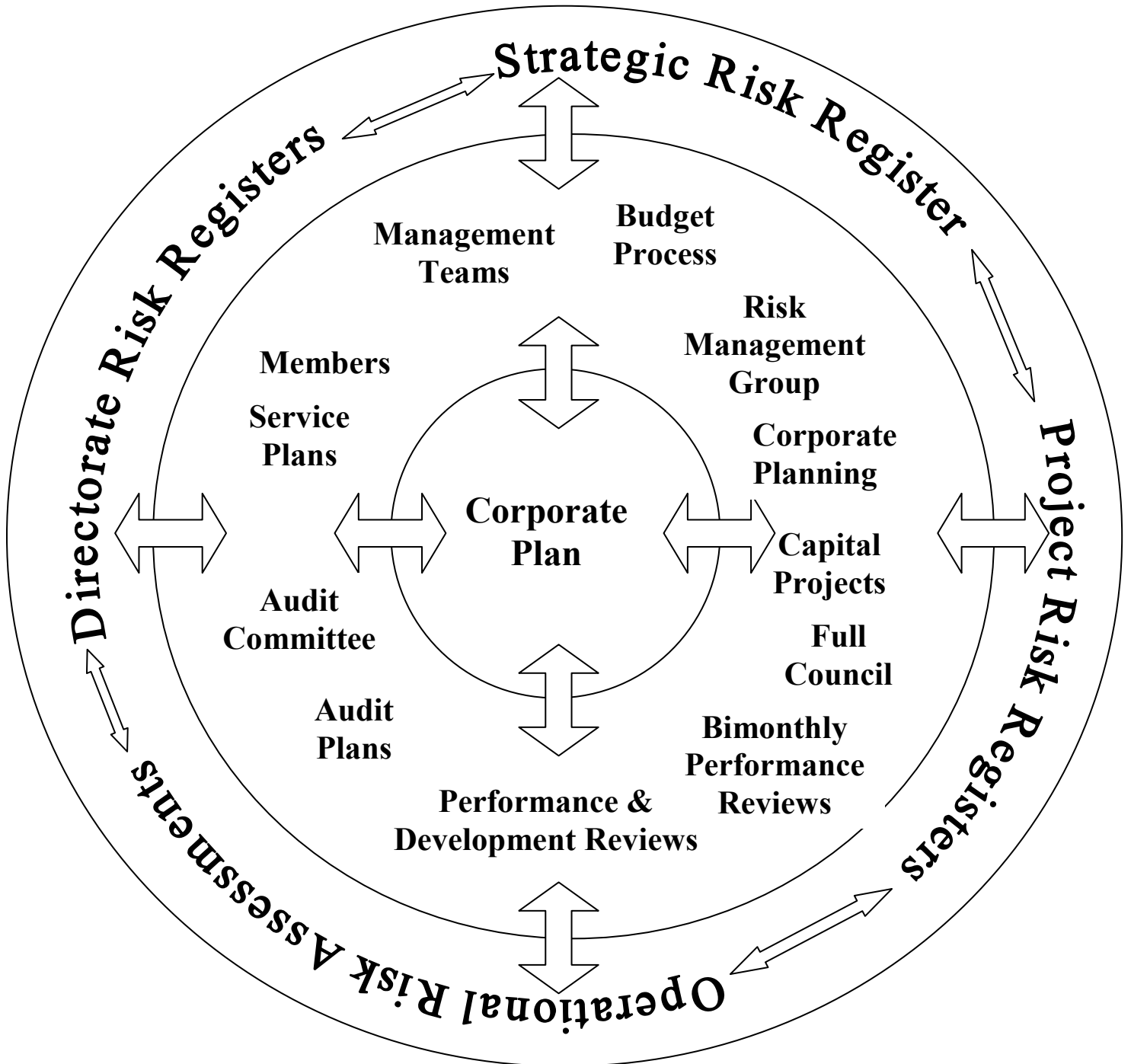
The maintenance of risk registers is not an end in itself.

The Council's intention is to follow risk management principles whilst carrying out all aspects of its business.

Members, managers and staff will use risk registers to help take decisions to improve the level of service provided. This will be effected in a number of areas:

- Reports to Members concerning strategic policy decisions will include a risk assessment.
- All project initiation documents will include an assessment of potential significant risks involved.
- The Council's Performance Management Reviews will include the management of risk
- All Service Plans will take account of relevant risks.
- Risk registers will be used to help prioritise spending as part of the budget allocation process
- Risk Registers will be one of the factors used to help determine the Audit Programme.

Risk Management
Embedded into the Council's Management Processes



Northampton Borough Council
Risk Management Policy Statement

Whilst an element of risk is an integral part of everyday life, the level of exposure to risk is controllable. Northampton Borough Council will take all reasonable steps to remove or reduce sources of significant risk to its employees, assets and stakeholders.

Risk management is a positive tool that is incorporated into the management process to help achieve corporate and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk.

It is the responsibility of each individual employee to review their methods and conditions of work to ensure that significant sources of risk are removed, or controlled at an acceptable level. To assist in this, the Risk Manager will perform a facilitating role, providing information, support and expertise.

Wherever possible the Council will support any initiatives that significantly reduce the level of risk.

To give effect to this Policy Statement the Council will issue a Risk Management Strategy document to set out inter alia:

- Levels of responsibility for identifying and managing key risks
- The format in which risk registers will be established and maintained
- Respective roles and responsibilities of officers and elected members
- Reporting procedures
- Arrangements for training and support
- Relationship of risk management to decision making

Chief Executive

Leader of the Council

Date:

Date:

Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	FINANCIAL REGULATIONS
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	4 December 2007
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To present to the committee the updated financial regulations.

2. Recommendations

2.1 That the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 Financial regulations form part of the Constitution of the Council and are one of the key governance tools for the organisation to ensure that all aspects of finance are managed and regulated. They guide members and officers as to what is permissible and good practice and all parties must adhere to them.

3.1.2 It is good practice to review and, where necessary, update financial regulations on a regular basis to ensure that they are appropriate and address the needs of the Council.

3.2 Issues

- 3.2.1 A full review of the regulations has been undertaken and a number of changes made, particularly to bring clarity for officer and member responsibilities in relation to financial governance.
- 3.2.2 The new regulations draw from best practice from a number of good authorities and reflect the needs of the organisation. Consultation has been held with officers, cabinet, management board, KPMG our external auditors and PWC or internal auditors. In addition they have been reviewed by the finance monitoring government sub-board.
- 3.2.3 The regulations will be backed up by process rules which will flesh out the regulations. These rules are not required to come to Council, and are merely the operational framework for financial transactions and responsibilities.
- 3.2.4 A training programme is being developed to roll out these regulations across the Council to ensure that officers fully understand their responsibilities under the regulations.
- 3.2.5 In future there will be an annual review of the regulations as part of the audit committee programme.

3.3 Choices (Options)

- 3.3.1 None in relation to this report.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None in relation to this report.

4.2 Resources and Risk

- 4.2.1 Up to date financial regulations, and adherence to them, reduce financial risk to the authority and give officers and members a clear framework in which to operate.
- 4.2.2 Resources are required to roll out a training programme. The training will be delivered by existing finance staff.

4.3 Legal

- 4.3.1 The new regulations have been reviewed by legal and are consistent with the overall constitution.

4.4 Equality

4.4.1 None

4.5 Consultees (Internal and External)

4.5.1 Cabinet, Officers, External Audit, Finance Monitoring Sub-board, Internal Audit, Management Board

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

**Report Author: Isabell Procter
Director of Finance**

Financial Regulations Review

FINANCIAL REGULATIONS

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1.0 INTRODUCTION & STATUS OF FINANCIAL REGULATIONS

- 1.1** Financial regulations provide the framework for managing the authority's financial affairs and ensure the efficient, effective and economic use of resources. They are supplemented by financial instructions and processes and apply to every member and officer of the authority and anyone acting on their behalf.
- 1.2** These regulations and related documents shall be reviewed and updated as appropriate, ideally annually, co-ordinated by the section 151 Officer.
- 1.3** All members and employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.4** All Council employees must seek to achieve best value and shall give appropriate consideration to: -
 - Acquiring resources at an appropriate quality for the minimum cost.
 - Ensuring that the maximum output is obtained from the resources devoted to an activity.
 - Ensuring that the output from any activity is achieving the desired result or target set.
 - How each activity fits within the corporate objectives and how performance can be compared objectively and by the more subjective views of the local community.
- 1.5** Except where expressly detailed within Financial Regulations or Constitution, deviation from these regulations may be approved by the S151 Officer in cases of urgency but generally only by Cabinet or Council.
- 1.6** The introduction of new systems could fundamentally change the systems of control in some areas. The Council recognises that this may require the variation to the Regulations that cannot be achieved via Cabinet approval due to time constraints. Therefore the Section 151 Officer may approve temporary dispensation/amendment.
- 1.7** Failure of members / employees to comply with these Regulations and associated Policies, Instructions and Processes may constitute misconduct or gross misconduct, depending on the circumstances of the case in question and may result in disciplinary action being taken in accordance with the Council's Disciplinary Procedures.
- 1.8** These regulations should be read in conjunction with the remainder of the Constitution and with policy documents which the Council have adopted, including the Anti Fraud and Corruption Policy, Equal Opportunities Policy, Document Retention Policy and the Risk Management Policy.
- 1.9** The Financial Instructions and Processes that support these regulations, as approved by the Section 151 Officer, must be followed.

2.0 FINANCIAL MANAGEMENT

2.1 Introduction

2.1.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the budget and policy framework. The processes of financial management involve:

- Complying with statutory requirements
- Development and approval of policy and management frameworks, the constitution and financial plans including the revenue and capital budgets
- Establishing protocols and standards
- Implementing policies, protocols and standards
- Monitoring compliance
- Maintaining records
- Reporting and providing advice
- Specific financial techniques and functions e.g. virement, year end balances, statements of account

2.1.2 Proper control of the authorities affairs requires that roles and responsibilities are clearly defined. This section clearly defines the roles and responsibilities of:

- Full Council
- Cabinet
- Overview and Scrutiny Committees
- Audit Committee
- Standards Committee
- Head of Paid Service
- Section 151 Officer
- Monitoring Officer
- Chief Officers and Service Heads
- Budget Managers & Supervisors

2.2 Full Council

2.2.1 The Full Council is responsible for adopting and changing the principles of financial governance and adopting or approving the policy framework and budget within which the Executive (Cabinet) operates and the setting the level of Council Tax. The Cabinet is responsible for proposing the policy framework, budget and level of Council Tax to full Council.

2.3 Cabinet

2.3.1 The Cabinet is responsible for directing the Council's affairs within the policy framework and budget.

2.3.2 Cabinet decisions can be delegated to a committee of the Cabinet, to individual Cabinet Members or to Officers. The Cabinet is responsible

for establishing protocols to ensure that individual Cabinet Members consult with relevant Officers before taking a decision within their delegated authority. In so doing, the Member must take account of the legal and financial liabilities and risk management issues that may arise from the decision.

- 2.3.3 The Cabinet shall consider the Council Tax base and make a recommendation to Council to enable it to be set by the statutory date and shall consider the draft budget and make recommendations to the Council to enable the Council to approve the budget and set the Council Tax by the statutory date.

2.4 Overview and Scrutiny Committees

- 2.4.1 Overview and Scrutiny committees are responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. Overview and Scrutiny committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council.

2.5 Audit Committee

- 2.5.1 The Audit Committee is an advisory body reporting, as appropriate, to Full Council. It is responsible, on behalf of Full Council, for ensuring that best practice governance arrangements are applied throughout all services. Specifically the Audit Committee is responsible for matters in relation to Internal Audit, Financial Management Controls, Risk Management and the External Audit service. It has a right of access to all the information it considers necessary and can consult directly with internal and external auditors.

2.6 Standards Committee

- 2.6.1 The Standards Committee is appointed by the full Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the members' code of conduct, and for monitoring the operation of the code.

2.7 Head of Paid Service (Chief Executive)

- 2.7.1 The Head of Paid Service is the Chief Executive and is responsible for the corporate and overall strategic management of the Council as a whole. He/she has responsibility for establishing a framework for management direction, style and standards, and for monitoring the overall performance of the organisation. He/she must report to and provide information for the Cabinet, full Council and the Scrutiny committees.

2.8 Section 151 Officer (Chief Finance Officer)

2.8.1 This post, as defined in Article 13 of the Constitution, has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Local Government Act 1972 (Section 151)
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Act 2003
- Accounts and Audit Regulations 2003

2.8.2 The Section 151 Officer shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for the proper administration of the Council's financial affairs and report to the Council, the Cabinet and the relevant Cabinet Member on the discharge of this responsibility. This includes:

- Maintaining strong financial management underpinned by effective financial controls;
- Contributing to corporate management and leadership;
- Supporting and advising the Council, the Cabinet, the Overview and Scrutiny Committees, Regulatory Committees and Management Board on all financial matters affecting the Council;
- Supporting and advising Officers in their operational roles;
- Leading and managing an effective and responsive financial service.

2.8.3 The Section 151 Officer has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure disbursements made on behalf of the Council and that controls operate to protect the Council's assets from loss, waste, fraud or other impropriety. The Section 151 Officer shall discharge that responsibility in part by the issue and maintenance of Financial Processes and Operational Procedures with which all members and staff of the Council shall comply.

2.8.4 The Section 151 Officer is the 'responsible financial officer' for the purposes of Sections 114 and 114A of the Local Government Finance Act 1988 (as amended) and the Accounts and Audit Regulations 2003.

2.8.5 Section 114 requires the Chief Finance Officer to make a report and inform the external Auditor if it appears that the Council or a committee or Officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;

- Is about to make an unlawful entry in the Council's accounts.

Section 114A makes equivalent provision in respect of actions taken by or on behalf of the Cabinet. Under both sections the report must be sent to every councillor as well as to the external auditor.

2.8.6 Section 114 of the 1988 Act also requires: -

- The Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally.
- The Council to provide the Section 151 Officer with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under Section 114 and make similar arrangements for the purposes of the Accounts and Audit Regulations 2006.

2.8.7 The section 151 officer will report identified breaches of the Financial Regulations to the Audit Committee where such instances expose the Council to unacceptable risks or financial loss. Chief Officers will be informed of all identified breaches within their service area.

2.8.8 The Section 151 Officer shall ensure that Members and Officers receive appropriate support from relevant finance staff, even where a strategic partner provides such support.

2.9 Monitoring Officer

2.9.1 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct by both members and officers and therefore provides support to the Standards Committee. He/she is also responsible for the reporting of any actual or potential breaches of the law or maladministration to the Full Council and/or Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

2.9.2 The Monitoring Officer, in conjunction with the Chief Executive and Section 151 Officer, has responsibility for advising Cabinet or the full Council on whether a decision is likely to be contrary to or not wholly in accordance with the Council's budget and policy framework. Such decisions might include: -

- Initiating a new policy without specific budget approval.
- Committing expenditure in future years above the approved budget level.
- Incurring expenditure in future years without proper approval of virement.
- Causing total expenditure to increase beyond a specified level.

2.10 Service Heads

2.10.1 Service Head is the term relating to the senior manager responsible for a specific service area and is directly accountable to a Chief Officer.

2.11 Chief Officers

2.11.1 Chief Officers are fully accountable to the Chief Executive and Cabinet for the financial management of the activities of their Directorates. They are responsible for ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed with the Section 151 Officer.

2.11.2 Chief Officers may delegate aspects of their Financial Management responsibilities to Service Heads in writing. The Section 151 Officer must be advised on such delegation. In turn, a Service Head may delegate aspects of their financial management responsibilities to other senior managers, including the specific designation of 'Budget Managers' and 'Budget Supervisors'. Records must be kept of such delegations.

2.11.3 Chief Officers are individually responsible for the proper stewardship of all the resources allocated to them. However, it is noted that there is shared responsibility for some assets, which are managed centrally or in pooled/partnership arrangements.

2.11.4 It is the responsibility of Chief Officers and Service Heads to consult with the S151 Officer and the Monitoring Officer and seek approval on any matters liable to affect the Council's finances materially, before any commitments are incurred. They are also responsible for providing the Section 151 Officer with any information relating to the services under their control required to fulfil the duties of the Section 151 Officer.

2.11.5 Chief Officers and Service Heads are responsible for ensuring that staff under their control are aware of and comply with Financial Regulations and Processes and monitoring and reporting any non-compliance by either staff or partners.

2.12 Other Roles with Financial Responsibilities

2.12.1 A Budget Manager is an officer with the overall responsibility of managing the commissioning of direct service for an area. This responsibility is specifically delegated to this officer by either a Chief Officer or Service Head using the standard 'Approval of financial delegation' form. A Budget Manager cannot delegate the overall responsibility for managing the budgets under their jurisdiction. A Budget Manager must be an officer of the Council.

2.12.2 A Budget Supervisor is an officer who supervises a budget on behalf of a senior officer / budget manager. This must be delegated using the standard "Approval of financial delegation' form. Accountability for the budget remains with the budget manager, as this cannot be delegated.

A budget supervisor can be an officer of the Council or one of the Council's Partners.

2.12.3 A Project Manager, in relation to capital, is the budget manager responsible for delivering a capital project.

2.13 Emergency Procedures

2.13.1 Nothing in these Financial Regulations shall prevent expenditure being incurred where an emergency or disaster potentially involving destruction of, or danger to, life or property occurs or is imminent. Where in the opinion of the relevant Chief Officer the urgency of the situation will not admit delay, necessary expenditure may be incurred. The Chief Officer should where possible consult the relevant Cabinet Member, Chief Executive and the Section 151 Officer. Action under this Financial Regulation shall be reported at the next available meeting of the Management Board, Cabinet, and Audit Committee.

3.0 FINANCIAL PLANNING

3.1 Introduction

3.1.1 Financial planning enables the Council to deliver its priorities through the allocation of resources to services.

3.1.2 The revenue budget provides an estimate of the annual income and expenditure requirements for all services and sets out the financial implications of the Council's policies. It provides Service Heads with authority to incur expenditure and a basis on which to monitor the financial performance of the Council.

3.1.3 Capital expenditure is an important element in the development of the Council's services since it represents a major investment in new and improved assets that will benefit the Community for a number of years.

3.2 The Policy Framework

The full Council will be responsible for agreeing the Authority's policy framework and budget, which will be proposed by Cabinet. In Terms of financial planning, the key elements of the process are the Corporate Plan and the Medium Term Plan. The Medium Term Plan includes:

- Directorate Business / Service Plans;
- The financial strategy
- Medium term financial plan
- Revenue budget;
- Capital strategy and capital programme;
- Asset Management Plan

The policy framework also includes the many statutory performance plans that the Council must prepare e.g. the Community Strategy.

3.3 The Corporate Plan

The Chief Executive is responsible for proposing the corporate plan to the Cabinet for consideration before submission to the full Council for approval. It will contain a statement of the priorities of the Council, and will draw on the content of the Community Strategy.

It will be a requirement of the Council that each planned item of expenditure, whether revenue or capital, shall be intended to further one or more of the Council's stated priorities or, if that is not the case, shall be required to discharge a specific statutory obligation on the Council.

3.4 The Medium Term Plan

3.4.1 The Medium Term Plan is the key tool in ensuring that the Council's resources are used in accordance with its decisions. It includes service and financial planning over a timeframe of a minimum of three years.

3.4.2 Chief Officers and Service Heads are responsible for the preparation of these plans, which reflect the Council's priorities as shown in the Corporate Plan. They must be produced in conjunction with the Capital and Revenue Budgets and each of these plans must support the others.

3.5 Business / Service Plans

3.5.1 Chief Officers, through their Service Heads are responsible for preparing a minimum of three-year service/business plan, detailing the resources, financial and non financial, needed to deliver the Council's priorities.

3.6 The Financial Strategy

3.6.1 The Section 151 Officer will be responsible for ensuring that a Financial Strategy covering a minimum of five years is prepared and updated at least annually for consideration by the Cabinet and approval by the Council. The Strategy will be consistent with, and designed to further the achievement of, the Council's priorities. This strategy should cover both capital and revenue.

3.6.2 A Medium Term Financial Plan that turns the Strategy into practice must be prepared for at least a three-year period including the next financial year. This should be updated regularly throughout the year as events and the budget timetable dictate.

3.7 The Medium Term Financial Plan

3.7.1 The Chief Executive and the Section 151 Officer must jointly report Medium Term Financial Plans to Cabinet. The Section 151 Officer will determine the format and timetable of the medium term forecast, subject to any overriding requirements of the Cabinet.

3.7.2 Each Chief Officer with their Service Head shall prepare a medium term forecast annually, for capital and revenue budgets, in consultation with the Section 151 Officer, for submission to the appropriate Cabinet member and to the Cabinet. These plans will cover all services assigned to their area of responsibility. Such forecasts should be developed as an integral part of the Council's overall service planning process.

3.7.3 Each Service Head shall include the financial effects of:

- Future year budgets at current service levels
- Known pressures
- Efficiency savings
- The scope for additional income generation
- Option for meeting new statutory responsibilities
- Options for the delivery of council priorities
- Options for any other proposals relating to the level of existing services or for new services.
- The impact of previous years expenditure and income patterns.

3.7.4 Each Service Head shall take into account policy priority guidelines issued by Cabinet prior to the summer recess when preparing their Medium Term Financial Plans.

3.8 Revenue Budget

3.8.1 The S151 Officer will be responsible for ensuring that a Budget for at least the coming three financial years is prepared and brought forward for approval by the Council, upon recommendation of the Cabinet, on or before the statutory date for such approval. The adoption of the budget by the Council shall be accompanied by a resolution as to the level of Council Tax required for the coming financial year in order to sustain the budget.

3.8.2 Within the overall cash limited budget allocated by the Council to his/her Programme Area, each Chief Officer will set a detailed budget and Service Plan taking into account any policies, priorities, or specific allocations prescribed by the Cabinet in the determination of the budget total and Corporate Plan, and shall ensure that all cash limited budget allocations are in accordance with the Council's declared intentions.

3.8.3 Chief Officers must ensure that all fees and charges are reviewed as part of the annual budget process.

3.8.4 The first year of the Medium Term Financial Plan is the detailed Annual Revenue Budget. The revenue budget provides an estimate of the annual income and expenditure requirements to deliver service levels agreed in Business Plans for all services, and sets out the financial implications of the Council's policies. It reflects an analysis of risks for each service area and provides the Cabinet, Chief Officers and Service Heads with authority to incur expenditure, subject to rules relating to virement. In addition it provides the basis on which to monitor the financial performance of services within the year.

3.8.5 The Section 151 Officer shall report the consolidated forecast position annually to the Cabinet and then to Overview and Scrutiny Committees in line with the corporate timetable. The report shall include the level of estimated resources available during the period, together with the impact on the Council Tax level.

3.8.6 When the proposed budget for the coming year is being considered by the Cabinet and the Council, the Section 151 Officer shall advise as to what would constitute a prudent and necessary minimum level of uncommitted balances/reserves for the Council to retain, and also as to whether the budget being proposed is consistent with such a requirement. In forming such a judgement, the Section 151 Officer will take heed of any guidance from CIPFA or the external Auditor.

3.9 Capital Strategy

3.9.1 Capital expenditure is an important element in the development of the Council's services since it represents major investment in new and improved assets. Each financial year the Section 151 Officer shall prepare and submit to Cabinet a Capital Strategy for the Authority. All capital expenditure and income for the authority should be undertaken in line with the agreed Capital Strategy and in compliance with the CIPFA Prudential Code for Capital Finance in Local Authorities and all prevailing statutory and professional regulations.

3.10 Capital Budget

3.10.1 The S151 Officer will be responsible for ensuring that a capital budget for at least the coming three financial years is prepared and brought forward for approval by the Council, upon recommendation of the Cabinet.

3.10.2 The Capital Programme will be prepared in accordance with the Capital Strategy and Asset Management Plan of the Authority and be consistent with, and designed to further the achievement of, the Council's priorities. It should be updated as monitoring and the annual budget timetable dictate.

3.10.3 Project managers are required to prepare project appraisals including whole life capital and revenue costs for all capital projects to be included in the Council's Capital Programme. The project appraisal must be approved by the Section 151 Officer or other officer authorised by her/him before any expenditure is committed.

3.10.4 The first call on capital resources should be for schemes agreed as part of the prior year budget process and which have already commenced. Chief Officers should therefore take this into account when preparing bids for future years.

3.10.5 The S151 Officer, will propose to Cabinet a scoring scheme to prioritise capital projects and update it annually. This scheme will be used to prioritise projects within available resources and used to guide members in the setting of the capital programme.

3.10.6 The Section 151 Officer shall report to the Cabinet on the overall cost of the draft capital programme compared with the resources likely to be available to finance it in both capital and revenue terms.

3.11 Asset Management Plan

3.11.1 The Asset Manager under the direction of the Section 151 Officer will be responsible for ensuring that an Asset Management Plan covering a minimum of three to five years is prepared and updated at least annually for consideration by the Cabinet and approval by the Council. The plan will be consistent with, and designed to further the achievement of, the Council's priorities.

4.0 FINANCIAL CONTROL

4.1 Introduction

4.1.1 Good financial control is fundamental to securing the delivery of the council's priorities. It ensures that the Council's capital and revenue budgets are monitored and action taken to avoid or manage potential overspends.

4.2 Budget Monitoring

4.2.1 The Section 151 Officer will ensure that appropriate and timely financial information is available to Officers as to enable them to monitor their budgets effectively.

4.2.2 Throughout the year each Chief Officer shall be responsible for ensuring that income and expenditure are monitored monthly against budgets for which they are responsible.

4.2.3 Budget Managers are responsible for ensuring that expenditure and income are properly coded and that budget timing profiles are accurate. They are directly responsible for ensuring that spending and commitments do not exceed the latest approved budget. However, If expenditure in excess of the approved budget is incurred due to an emergency, this emergency expenditure must be reported to the Section 151 Officer and the appropriate Cabinet member(s) and, if necessary, the Cabinet as soon as possible thereafter.

4.2.4 At the start of each financial year the Section 151 Officer will set out the timescales and responsibilities of all officers involved in the process. Budget Managers are responsible for ensuring that they meet the timescales so that prompt, accurate information can be provided to members.

4.2.5 As soon as a year-end under or overspend is anticipated Budget Managers are required to provide a forecast to the S151 Officer. It is important that these forecasts are accurate so the Council can understand its true position in the current financial year and can reflect this in its decision on the budget for the forthcoming year.

4.2.6 At year-end budget managers will provide to Finance all necessary information to the timescales and in the format detailed in the final accounts procedure notes and timetable to facilitate the audit of the accounts.

4.2.7 Each Chief Officer and Service Head shall retain evidence for at least 18 months sufficient to demonstrate that they monitor on a monthly basis the outturn of income and expenditure compared to the approved Budget for their area of responsibility. The approved budget is the Original Budget used to set the Council Tax level, plus any supplementary

estimates or budgetary virements agreed in accordance with the Budget and Policy Framework (BPF) Procedure Rules.

4.2.8 The Section 151 Officer shall report the Council-wide outturn position to Management Team and Portfolio Member for Finance on a regular basis. Monitoring reports will be circulated to all members and be reported formally to Cabinet each quarter as a minimum.

4.2.9 Directorate over and under spends are primarily the responsibility of the Director. Where necessary Cabinet may approve funding from underspends elsewhere in the Authority, however Directors requesting such funding must highlight all underspends within their Directorate.

4.2.10 The outturn will be reported (provisionally) to the June Cabinet. A Directorate under spend will be reported to the July Cabinet for a decision on how it will be invested, with at least 50% being invested in the Directorate. When an under spend is allocated, it gets re-named to become a project budget, the features of which are:

- The investment of a revenue project budget will not be in support of continuing expenditure.
- When the project is complete, the budget will not be renewed.
- The project may take place over several financial years.
- Project budgets are excluded from the calculation of a year-end underspend. Where a project budget overspends, this should be met in year by the Directorate.
- Project budgets are separately identified in the Council's accounting system.

4.3 Overspends

4.3.1 Directorate overspends will be reported to the July Cabinet for a decision on how they will be funded. Overspend is primarily the responsibility of the Directorate and will normally be carried forward to the following financial year. Overspends that are carried forward will be subject to an interest charge equal to the borrowing costs, to reflect the detrimental cashflow that arises from spending above budget.

4.3.2 If an overspend cannot be met from existing budgets, or new spending proposals are identified for which financial provision has not been made, and these excesses cannot be financed by virement, the matter must be reported to the relevant Cabinet Member and a supplementary estimate report must be submitted to Cabinet. Any such reports must include a financial appraisal prepared jointly by the Chief Officer or Service Head and the Section 151 Officer. If Cabinet approves the proposal it must seek approval of the full Council to proceed.

4.4 Virements

- 4.4.1 Management of services within budgets requires an ability to switch (vire) resources that reflect changes in the service levels approved in the relevant Service / Business Plan. Windfall gains are not available for virement. A virement is a transfer of budget provision either within or between budget headings. It is an important facility to assist in managing budgets effectively within a cash limit. These regulations set out the authorisations required for virement to take place.
- 4.4.2 Transfer of budgets due to a restructure or event that does not reflect a service change is a technical virement and will be authorised by the Section 151 Officer whatever the amount.
- 4.4.3 Virements within approved service plan revenue budgets may be agreed by the relevant Officer/member as detailed in the financial instructions.
- 4.4.4 Virements between staff and non-staff budgets will only be permitted in exceptional circumstances and must be authorised by the Section 151 Officer in every case.
- 4.4.5 Virements may also be authorised by other persons where there is a formal written record of delegation, approved by the relevant Chief Officer and copied to the Section 151 Officer.
- 4.4.6 Virements that create a commitment in future years require Cabinet approval and must be reflected in the budget process.

4.5 Supplementary Estimates

- 4.5.1 Where overspends cannot be accommodated by virement an application can be made for further funding. These applications are called supplementary estimates.
- 4.5.2 Supplementary estimate reports proposing to utilise Council reserves will include a clear programme (identifying Medium Term Budget structures and budgetary implications) to restore reserves to acceptable levels within 18 months. Such reports need to be agreed by the Section 151 officer and approved by full Council.

4.6 Capital Monitoring

- 4.6.1 Chief Officers through their capital project managers are responsible for managing the financial risks of their projects and must monitor income and expenditure against the in-year budget, as well as total expenditure over the life of each scheme.
- 4.6.2 Project managers shall provide monthly monitoring information, on a scheme-by-scheme basis, together with a forecast outturn including any re-phasing between years, to the Section 151 Officer.
- 4.6.3 Where forecasts identify an overspend or underspend from the approved

budget these variations should be reported promptly to the Section 151 officer along with the proposed action.

- 4.6.4 In circumstances where it is not possible to take programme changes to Cabinet or Council due to a requirement for a quick decision, the Section 151 officer in consultation with the relevant Cabinet Member will have authority to approve the decision, which must be notified retrospectively to Cabinet.
- 4.6.5 The Section 151 Officer shall report the overall capital monitoring position, and the level of resources available to finance the programme, to Cabinet on at least a quarterly basis.

5.0 RISK MANAGEMENT AND CONTROL OF RESOURCES

5.1 Introduction

5.1.1 It is fundamental that robust, integrated systems are in place and maintained for the identification and evaluation of all significant operational risks to the authority. This should include the proactive participations of all those associated with planning and delivering services. This is a responsibility of every manager and every service.

5.2 Risk Management

5.2.1 The Cabinet is responsible for approving the Authority's Risk Management Policy and for reviewing the effectiveness of risk management. It is also responsible for ensuring that proper insurance arrangements exist where appropriate.

5.2.2 The Section 151 Officer is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council and for advising the Corporate Management Team on proper insurance cover where appropriate.

5.2.3 The S151 Officer is responsible for collating the Council's Risk Register and Business Continuity Plans and ensuring they are reported to Cabinet and the Audit Committee at least annually.

5.2.4 Chief Officers shall maintain a register of risks affecting their Directorate, including corporate risks. It is their responsibility to make sure that this is kept up to date.

5.2.5 Chief Officers, through their managers, shall apply the Council's risk management process, which will allow them to state their risk appetite.

5.3 Insurance

5.3.1 The Section 151 Officer shall ensure that the Council has appropriate insurance cover in place in respect of all its assets and risks as an employer and provider of services and facilities.

5.3.2 Chief Officers and Service Heads will be responsible for ensuring that the Section 151 Officer is provided with all relevant information applicable to their Programme/Service Area, and in a timely manner, as he/she may reasonably require in order to enable him/her to discharge effectively his/her own responsibilities.

5.3.3 Where identified risks cannot be mitigated the service managers, through the Council's Insurance Service, will arrange insurance cover where appropriate.

5.4 Business Continuity

- 5.4.1 Chief Officers are responsible for ensuring that business continuity plans are in place for services under their control and ensuring the continuity of these services.
- 5.4.2 Chief Officers shall give guidance on the appropriate service priorities to aid planning and recovery of services.
- 5.4.3 Chief Officers shall ensure that Business Continuity Plans are exercised appropriately.

5.5 Internal Control

- 5.5.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 5.5.2 The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 5.5.3 It is the responsibility of Chief Officers through their Service Heads to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets. Typically these would include:
 - Separation of duties
 - Schemes of delegation
 - Retention of records
 - Security arrangements
 - Risk management information and where appropriate Business Continuity Plans
- 5.5.4 At least once a year the effectiveness of the systems of internal control shall be reviewed and reported to Cabinet, who shall review and approve the Statement of Internal Control separately from the Statement of Accounts.
- 5.5.5 The Section 151 officer shall ensure that procedure notes/manuals are maintained in respect of the Council's key financial systems.

5.6 Audit

- 5.6.1 The Accounts and Audit Regulations 2006 require every Local Authority to maintain an adequate and effective internal audit.

- 5.6.2 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 5 of the Audit Commission Act 1998. The Council may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.
- 5.6.3 The Section 151 Officer will have overall responsibility for internal audit throughout the Council. Internal Auditors will operate as a managerial control by examining, evaluating and reporting upon the effectiveness of internal financial and operational controls and the efficient use of Council resources.
- 5.6.4 The S151 Officer shall maintain an adequate and effective Internal Audit Service. In particular the S151 Officer shall arrange for the examination, review and appraisal of:
- The soundness, adequacy and application of internal controls;
 - The safeguards for Council assets and interests from losses of all kinds arising from theft, fraud, waste, extravagance, inefficient management, poor value for money or any other cause;
 - The suitability and reliability of financial and other management data;
 - Compliance with rules, legislation, policy and procedures;
- 5.6.5 The S151 Officer shall report to the Audit Committee on the work of the Audit Service at least annually.
- 5.6.6 The S151 Officer and all Internal Audit staff have authority to:
- Enter at any time council premises or land subject to any statutory or contractual restrictions that may apply, e.g. health and safety;
 - Have access to all records, documents, correspondence, information and data relating to all areas of business of Northampton Borough Council and to remove any such records as are necessary for the purposes of their work (including that of the Council's agents and contractors);
 - Require and receive such explanations as are necessary concerning any matter under examination;
 - Require any employee or agent of the Council to produce cash, stores or any other Council property under their control.
- 5.6.7 The S151 Officer shall have unobstructed direct access and the right of report to the Chief Executive, Chief Officers, Service Heads, the Monitoring Officer, the Audit Commission, the Cabinet, the Leader, the Cabinet member with responsibility for Audit and the Chair of the Audit Committee.

5.7 Preventing Fraud and Corruption

- 5.7.1 The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy including arrangements for gifts, hospitality and whistle blowing.
- 5.7.2 All Council staff, members, agents, contractors and strategic partners have responsibilities to protect the funds they administer on behalf of the Council. Council resources must be administered to the benefit of the taxpayer and not the inappropriate personal benefit of any of the above.
- 5.7.3 All Staff, Councillors, agents or contractors of Northampton Borough Council have a responsibility to bring to the attention of the Section 151 Officer or their Chief Officer any suspected fraud, corruption or irregularity.
- 5.7.4 The S151 Officer in consultation with internal audit or the relevant Chief Officer or Chief Executive, if appropriate, will take such steps as considered necessary by way of investigation or report. Wherever possible the Chief Officer and the officer referring concerns shall be kept informed.
- 5.7.5 Should it be found that a fraud or irregularity is occurring of a significant nature the Section 151 Officer or his/her appointed representative shall inform the Chief Executive, Leader and/or Chair of the Audit Committee where appropriate.
- 5.7.6 Where the S151 Officer concludes that sufficient prima facie evidence has been collected that indicates that a criminal act may have taken place the relevant Chief Officer and the Section 151 Officer will be consulted and the matter will be referred to the Police and/or other appropriate bodies.

5.8 Assets

- 5.8.1 The Section 151 Officer, in conjunction with the Asset Manager, shall be responsible for maintaining an adequate and up to date register of all the Council's capital assets and for calculating and processing the appropriate capital financing charges in accordance with CIPFA Capital Accounting Guidelines.
- 5.8.2 Each Director and Service Head will be responsible for ensuring that the Section 151 Officer is advised promptly of all additions, deletions or other changes to the Council's portfolio of assets, such as might affect the preparation of the Council's accounts.

5.9 Treasury Management

- 5.9.1 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), and specifically adopts the key

recommendations as described in Section 4 of that code. Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies and objectives of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.

5.9.2 The Council will receive reports from the Section 151 Officer on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.

5.9.3 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

5.10 Staffing

5.10.1 The Head of Human Resources, under the direction of his/her chief officer and in consultation with the Chief Executive, is responsible for determining how officer support for executive and non-executive roles within the Council will be organised.

5.10.2 The Chief Executive is responsible for providing overall management to staff. He or she will also be responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

5.10.3 Chief Officers are responsible for controlling total staff numbers by:

- Advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
- Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs

5.11 Contracts

5.11.1 Chief Officers and Service Heads are responsible for ensuring that all contract procedures are adhered to in the letting of all contracts, and in line with the Code of Practice for Procurement.

5.11.2 Where there are framework or other corporately agreed contracts in place, officers must use these agreements unless a waiver has been agreed by the S151 and the Monitoring Officer.

6.0 SYSTEMS AND PROCEDURES

6.1 Introduction

6.1.1 Sound systems and procedures are essential to an effective framework of accountability and control. The Section 151 Officer will be responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. No changes shall be made to the existing financial systems or new systems be established without the prior approval of the Section 151 Officer.

6.2 Information Technology/Financial Systems

6.2.1 The Chief Officer responsible for Information Technology, through his/her Service Head, in conjunction with the Section 151 officer shall be responsible for setting the Council's IT strategy at least annually, issuing procedures in relation to the strategy including procurement of information technology.

6.2.2 The S151 Officer is responsible for the financial management systems and ensuring that they are fit for purpose. The Information Technology Service Head is responsible for the operation of the authority's accounting systems according to the requirements of the Section 151 Officer.

6.2.3 Any alterations to the existing financial systems, or implementation of new systems, must be approved by the Section 151 Officer prior to any new developments or changes taking place.

6.2.4 Any changes to information systems must have prior approval from the Information Technology Service Head.

6.2.5 Each Service Head must consult with the Head of Information Technology and the Section 151 Officer on the appropriateness of systems controls needed to achieve an acceptable level of security.

6.2.6 All Chief Officers and Service Heads are responsible for ensuring the correct procedures and statutory requirements e.g. Data Protection Act are complied with.

6.2.7 Service Heads must ensure that, where appropriate, computer and other systems are registered in compliance with data protection legislation.

6.2.8 Service Heads must also ensure that all staff are aware of their responsibilities under freedom of information legislation.

6.3 Scheme of Delegation

6.3.1 It is the responsibility of each Director to ensure that a proper Scheme of written delegation has been established in their Service Area. The Scheme of Delegation should identify staff authorised to act on the Director's behalf in respect of payments, income collection and the

requisitioning of goods and services, together with the limits of their authority.

6.4 Banking

6.4.1 The Section 151 Officer will be responsible for the opening of all bank accounts in the name of, and on behalf of, the Council. No employee of the Council shall open any bank (or equivalent) account on the Council's behalf or in its name without the express agreement of the Section 151 Officer.

6.4.2 The Section 151 Officer will ensure that sound, adequate arrangements are in place for the safe and efficient operation of all its bank accounts, and will effect, or cause to be effected, proper and timely reconciliations.

6.5 Salaries, Wages, Pensions and Other Emoluments

6.5.1 The Section 151 Officer is responsible for all payments of remuneration and expenses to all staff, including payments for overtime, and for payments of allowances to Members.

6.5.2 Chief Officers are responsible for advising the Section 151 Officer of any changes to data affecting the payments in para 6.5.1 and associated matters.

6.6 Creditors and Debtors

6.6.1 The Section 151 Officer will be responsible for ensuring the operation and maintenance of effective systems for the payment of creditors and the collection of monies from debtors across the range of Council services.

6.6.2 No creditor shall be paid or debtor invoiced other than through systems operated by the Section 151 Officer or otherwise specifically approved by him/her.

6.6.3 Write-offs should only take place as a last resort after all other economic/social solutions have been exhausted.

6.6.4 Write-off authorisation level, as stated in the financial processes, must be adhered to.

6.7 Income

6.7.1 The Section 151 Officer will be responsible for ensuring that adequate systems are available, and are maintained, for the recording of all income by the Council.

6.7.2 It will be the responsibility of every employee of the Council to ensure that all sums of money due to the Council are promptly invoiced or

otherwise demanded and that all sums of money received are promptly paid into the Council's accounts.

6.8 Taxation

6.8.1 The Section 151 Officer is responsible for ensuring that adequate procedures are in place and adequate advice available to Service Areas so as to ensure that the Council is at all times compliant with the specific requirements of the various tax regimes which affect its operations and delivery of services.

6.8.2 In the discharge of this responsibility, the Section 151 Officer will be responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. In appropriate circumstances (e.g. where part of this function may have been devolved to a partner organisation) the Section 151 Officer will ensure compliance with the requirements of the particular tax regimes.

6.8.3 Each Director and Corporate Manager (Service Head) will at all times conduct the financial arrangements of their services, with regard to taxation issues, in accordance with advice or instructions issued by the Section 151 Officer, and shall provide any related information or documents upon request.

6.9 Trading Accounts

6.9.1 It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts throughout the Council.

6.10 Member Reports

All reports to member decision making bodies (other than Planning Committee or any body which is exercising quasi judicial functions), and specifically to Cabinet and Council must explicitly address financial, legal and risk implications and be agreed by the S151 Officer and the Monitoring Officer or their nominated representatives before being published.

7.0 EXTERNAL ARRANGEMENTS

7.1 Introduction

7.1.1 Local authorities provide an important leadership role for the community and bring together the contributions of the various stakeholders. They must also act to promote and improve the economic, social and environmental well being of their respective areas.

7.2 Significant Partnerships

7.2.1 A significant partnership is one that is material in terms of the amount of money involved and/or the level or nature of service delivery concerned.

7.2.2 The Cabinet is responsible for approving the Council's participation in all significant partnerships/joint working arrangements with other public, private, voluntary and community sector organisations. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

7.2.3 The Cabinet can delegate functions - including those relating to partnerships - to specific Members or Officers. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated the Cabinet remains accountable for them to the full Council.

7.2.4 The Chief Executive, Members or other properly authorised individual will represent the Council on partnership and external bodies, in accordance with the Scheme of Delegation.

7.2.5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.

7.2.6 The Section 151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. In conjunction with the Monitoring Officer, he/she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

7.2.7 Chief Officers and Service Heads are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

7.2.8 The key control is for the Council and its partners to:

- Be aware of their responsibilities under the Council's financial management framework including procedure rules, instructions and processes.

- Ensure that risk management processes are in place to identify and assess all known risks;
- Ensure project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- Agree the roles and responsibilities of each of the partners before the project commences.

7.2.9 The Section 151 Officer should advise the Cabinet on the following key elements:

- Scheme appraisal for financial viability;
- Risk appraisal;
- Governance arrangements;
- Resourcing, including taxation issues;
- Audit requirements;
- Carry forward arrangements;

7.2.10 Chief Officers are responsible for maintaining a schedule of all significant partnerships. A significant partnership is one that meets any one of the following criteria:

- With a value of at least £1m;
- Involves the delivery of a significant proportion of a statutory service;
- Involves the delivery of a significant proportion of one or more of the Council's priorities.

7.2.11 Service Heads are responsible for:

- Seeking advice from the Section 151 Officer and Monitoring Officer at an early stage;
- Ensuring that the approval of the Cabinet is obtained before any negotiations are concluded;
- Ensuring that all agreements and arrangements are properly documented;
- Providing information to the Section 151 Officer required for the Council's statement of accounts.

7.2.12 If financial procedures or standing orders of a partner are being followed which are not consistent with the Council's regulations Cabinet approval must be obtained. However, legislation must be complied with regardless.

7.3 Interests in Companies

7.3.1 Prior to the Council, or any officer on behalf of the Council, taking an interest (e.g. membership, share holding or directorship) in a company, advice should be sought from the Monitoring Officer and the Section 151 Officer.

7.3.2 Any clauses required by the Monitoring Officer and/or the Section 151 Officer to safeguard the Council's position must be included in the company's Memorandum and Articles of Association.

7.4 Voluntary Funds and Trustees

7.4.1 A voluntary fund is any fund, which, although not officially owned by the Council, is controlled or administered solely, or in part, by an employee by reason of his or her employment by the Council.

7.4.2 Council staff or partners must not administer voluntary funds, either solely or in part in the course of their duties, unless they have been authorized to do so by a Chief Officer.

7.4.3 Chief Officers may issue such authority once satisfactory and effective systems of control are in place for the management of the fund.

7.4.4 Chief Officers may only give approval where the owners of the fund agree that the Section 151 Officer will have full access to the records of the fund and be entitled to carry out such checks as considered appropriate.

7.5 External Funding

7.5.1 The Section 151 Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

7.6 Work for Third Parties

7.6.1 The Cabinet is responsible for approving the contractual arrangements for any work undertaken for third parties or external bodies.

8.0 GLOSSARY

Accountable Cabinet Member	Cabinet Member with responsibility for a specific service area.
Anti Fraud Strategy	Link to intranet
Asset Manager	A senior officer who is a qualified surveyor/valuer with responsibility for managing the Council's land and buildings (other than council housing, parks and certain other specific areas) and who advises the Council on property matters.
Audit Commission	Government Body responsible for providing the external audit function for the Council.
Budget Activity Level	Each separate activity shown on one page of the Annual Revenue Budget Book.
Budget & Policy Framework	Procedure rules defined in the Council's Constitution.
Capital Strategy	The Council's strategy governing the capital programme. Link to intranet
Chief Officers	Corporate Directors are referred to a Chief Officers, also the provisions of these regulations relating to Chief Officers should also be taken to apply to the Chief Executive when exercising his/her departmental responsibilities
Corporate Governance	Policies & Procedures that will enable an officer to complete their work in a manner approved by the Council.
Corporate Managers (Service Head)	For the purposes of the Financial Regulations includes all managers who are either Corporate Managers or equivalent.
Management Board	The Chief Executive, Corporate Directors, Section 151 and Monitoring Officers, and other invited senior officers, when meeting together as a team
Medium Term Financial Plan	Multi year rolling plan linked to the Best Value Performance Plan.
Monitoring Officer	Officer appointed under the Local Government & Housing Act 1989 with responsibility for ensuring that decisions are lawful and fair and other responsibilities as set out in Part 13 of the Council's Constitution.
Outturn	Estimated year-end net financial position based on actual costs to date and known expenditure & income expected to be realised

	before period/year-end.
Overall Equalities Policy Statement	Link to intranet
Section 151	Section 151 of the Local Government Act 1972 requires the Council to maintain an adequate and effective system of internal control. The S.151 Officer is the designated finance officer within the Council with overall responsibility for ensuring that the Council complies with the Act.
Supplementary Estimate	The process where budgets are given additional funds where virement from within the budget cannot fully cover an overspend. SE's take funds from reserves and must be repaid at the direction of the S.151 Officer.
Technical Virement	Technical in nature i.e. asset rentals, recharges.
Virement	The approved transfer of funds between budget codes.

9.0 CONTACTS

TITLE	OFFICER	CONTACT
Chief Executive	David Kennedy	01604 837726
Director of Finance & S151 Officer	Isabell Procter	01604 838757
KPMG Audit Commission Manager	David Brett	0121 232 3000
PWC Internal Audit Manager	Chris Dickens	01509 604041
Head of Finance (Deputy S151 Officer)	Gavin Chambers	01604 837194
Assistant Head of Finance (Corporate Finance)	Bill Lewis	01604 837167
Assistant Head of Finance (Financial Management & Planning)	Rebecca Thomas	01604 838046
Service Head Information Technology	Dale Phillipson	01604 838273
Service Head Human Resources	Howard Crabtree	01604 838377
Income & Payments Manager	Sue Dale	01604 837501
Risk Manager	Vacant	
Insurance Manager	Michael Davis	01604 837185
Monitoring Officer	Francis Fernandes	01604 837334
Asset Manager	Simon Dougall	01604 838177
VAT Manager	Paul Hyde	01604 837505

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Northampton Borough Council Internal Audit Report 2007-08 Voids Management

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Assurance rating this review	Moderate Assurance
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Timetable

Action	Planned date	Actual date
Agreement of terms of reference	July 07	July 07
Fieldwork start	July 07	August 07
Fieldwork complete	September 07	September07
Draft report to client	October 07	October 07
Response by client	November 07	November 07
Final report	December 07	November 07

Background and scope

Introduction

This review was undertaken as part of the 2007/08 Internal Audit Plan agreed by the Audit Committee.

This report has been prepared solely for Northampton Borough Council in accordance with the terms and conditions set out in our contract dated 1st January 2007. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

This report is intended to inform management of the results of our review of Voids Management. This review has been undertaken as part of the audit work included within the 2007/08 Internal Audit Plan. This report reflects our findings over the controls and processes in place as at the time of our internal audit fieldwork which took place during August/September 2007.

Approach and scope

Approach

In agreement with the Director of Finance and Voids Project Manager, we agreed that our work would focus on the following risks:

- The Authority does not effectively manage its void properties;
- Voids are not being identified at the earliest available opportunity;
- Challenging targets are not set in order to reduce average void period;
- Tenant forwarding details are not obtained or are not recorded;
- The extent of the work required to get the property back to a habitable condition is unknown;
- The Authority does not control costs relating to void properties;
- The classification of the void on the rent system is not properly set-up;
- The management information relating to voids is insufficient or not produced on a timely basis;
- The Authority incurs repair costs but the properties are not in a habitable condition; and
- Value for money is not achieved in the void management process.

Our work is designed to comply with the Government Internal Audit Standards [GIAS] and the CIPFA Code.

Scope

In accordance with our Terms of Reference in Appendix 1, agreed with the Director of Finance and Voids Project Manager, we undertook a limited scope audit of Voids Management.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.





Name of client staff
Bob Turrell – Voids Project Manager
Paul Allen – Voids Surveyor
Alison Hacking – Housing Needs and Allocations Team Leader

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of Voids Management.

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Summary of Findings

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. The table below summarises the number of findings raised and the priority rating assigned.

Risk Rating	Number of findings
Critical	0
High	0
Medium	3
Low	3
Total	6

Opinion

We are required to provide an opinion on the adequacy and effectiveness of internal control in relation to the area under review. Our opinion is based on the work performed as set out in the agreed terms of reference and is subject to the inherent limitations set out in the limitations and responsibilities section of this report. We also provide an assurance statement for the area under review.

Design of the controls under review

We identified 4 weaknesses in the design of controls in relation to Voids Management, all of which have been assessed as medium or low risk. In our opinion, these weaknesses are not likely to have a significant impact on the achievement of the key objectives of the Voids Management function.

Operation of the controls under review

We identified 2 instances where the controls were not operating as designed in practice at the time of our audit, which have been assessed as medium and low risk. Based upon the sample testing we performed, in our opinion these weaknesses are not likely to have a significant impact on the achievement of the key objectives of the Voids Management function.

Value for Money

During our review we noted 1 issue in relation to value for money in respect of contractor usage. (See point 4 in findings and recommendations section.)

Assurance statement

Moderate assurance

There are some weaknesses in the design and operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.

Follow-up

A follow-up review of all the agreed actions should be undertaken as part of the 2008/09 internal audit plan.

Detailed findings and recommendations

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. Management responses are included which identify actions to be taken, responsibility and timeframe.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of the Voids Management function, subject to the following limitations.

Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to the Voids Management function is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.



Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Findings and recommendations

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Operating effectiveness of controls						
1	There is a greater risk of overspends if costs are not being monitored against budgets.	It was noted that although a budget has been set for voids expenditure there has been no management information produced or monitoring undertaken against this.	 Medium	The Authority should ensure that budgetary control is exercised over void repairs with costs being monitored and any variances arising being investigated and explained.	<p>A dedicated accountant is now in place for Property Maintenance. Fortnightly meetings are established where expenditure is monitored against all service areas. The attendance of the Voids Team Leader is an integral part of these meetings.</p> <p>Operationally any variances are recorded and agreed by the surveyor and/or Voids Team Leader. Procedures relating to this are to be reviewed and updated.</p>	<p>Paul Allen (Voids Team Leader) Implemented November 2007</p> <p>Paul Allen (Voids Team Leader) December 2007</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	There is a greater risk of cost overruns if work is not estimated prior to work being performed.	During our testing we found that for 2 out of 20 properties sampled the voids repairs did not have costs estimated prior to the work being performed.	● Low	The Authority should ensure that estimates are obtained prior to works being undertaken and subsequent costs monitored.	Monitoring arrangements are now in place to ensure consistency in cost estimates. An estimate is provided for all properties that require works and this is based upon a National Housing Federation (NHF) Schedule of Rates. The development of the IBS Housing system in 2008 will fully automate cost estimates based upon a Schedule of Rates. This will also enable better monitoring and reporting of costs.	Paul Allen (Voids Team Leader) Implemented November 2007 Bob Sibley (Responsive Repairs Team Leader) 2008

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Design						
3	There is a risk that keys may be lost.	<p>It was noted that once keys are sent to the Voids Management Team they are not being held in a secure manner.</p> <p>Instead the keys are being distributed to inspectors to enable them to perform property inspections but often the keys are left on their desks and in their in-trays until inspections have been performed.</p>	<p>●</p> <p>Low</p>	The Authority should ensure that keys are securely stored once they have been sent into the Westbridge Depot.	Secure key storage facility to be provided and a procedure note developed to log keys in and out.	Paul Allen (Voids Team Leader) November 2007

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
4	The Authority may not be achieving value for money and adhering to its Financial Regulations.	<p>It was noted that when using external contractors to work on void properties no quotes for the work to be undertaken are being obtained.</p> <p>Cost for work to be undertaken is estimated using a schedule of rates that dates back to 2003. As such actual costs incurred tend to vary from estimated costs.</p>	 Medium	The Authority should ensure that its Financial regulations are adhered to and should obtain quotes for voids work where appropriate. The Council should carefully monitor the amount contractors are billing compared to the amount expected and variances should be investigated.	<p>Procedures will be put in place to ensure that, when external contractors are required to undertake works to void properties, quotations will be obtained in accordance with financial regulations. Final account and any variances will also be reported within this process.</p> <p>Further consideration is being given to evaluate the potential for the establishment of a framework agreement, incorporating a number of contractors, and the benefits that may accrue to the service.</p>	<p>Paul Allen (Voids Team Leader)</p> <p>Paul Williams (Planner)</p> <p>December 2007</p> <p>Property Maintenance Manager</p> <p>June 2008</p>
5	Procedures may no longer be relevant to work practices.	It was noted that the current set of procedures within housing are out of date and not being used. Given that a new system is being implemented in September 2007, procedures should be updated in line with this to reflect actual working practices.	 Medium	Following the implementation of the new system all procedures for Voids and Housing Management should be updated and subsequently reviewed on a regular basis to ensure that current working practices are reflected within them.	These procedures have been reviewed and the new working processes are being developed. These are currently being finalised to compliment the implementation of the IBS system. These will be further risk assessed with the development and introduction of the IBS Open Contractor system.	<p>Paul Allen (Voids Team Leader)</p> <p>Bob Turrell (Project Manager)</p> <p>Tim Ansell (Housing Services Manager)</p> <p>December 2007 and ongoing</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	There may be unnecessary delays in the voids process if properties can't be pre-allocated.	<p>At present the Authority does not have a pre-allocation policy in place. As such void periods may be longer than is necessary.</p> <p>Through discussions it was noted that the Authority intends to introduce a policy in October 2007 when the new voids system is in place.</p>	<p>● Low</p>	The Authority should ensure that a pre-allocations policy is introduced to ensure that the Authority minimises void periods.	<p>The new IBS Housing system enables pre-allocation to be considered as soon as a Notice To Quit is received from a Tenant.</p> <p>Procedures have also been revised in an attempt to access and inspect properties within the 28 day notice period prior to the property becoming void.</p>	<p>Madeline Spencer (Housing Services Manager) Implemented October 2007</p> <p>Paul Allen (Voids Team Leader) Implemented</p>

Appendix 1 - Terms of Reference

The objectives of our review were to ensure that:

- The Authority does not effectively manage its void properties;
- Voids are not being identified at the earliest available opportunity;
- Challenging targets are not set in order to reduce average void period;
- Tenant forwarding details are not obtained or are not recorded;
- The extent of the work required to get the property back to a habitable condition is unknown;
- The Authority does not control costs relating to void properties;
- The classification of the void on the rent system is not properly set-up;
- The management information relating to voids is insufficient or not produced on a timely basis;
- The Authority incurs repair costs but the properties are not in a habitable condition; and
- Value for money is not achieved in the void management process.

(Limited scope review; assess any changes made to the system and undertake testing to ensure controls are operating.)

Appendix 2 - Assurance ratings

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

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